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November 14, 2016

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

**Re: Connect America Fund, WC Docket No. 10-90**

Dear Ms. Dortch:

On November 3, 2016 the Wireline Competition Bureau ("Bureau") released a public notice announcing the results of the rural local exchange carrier ("RLEC") model election.<sup>1</sup> At that same time, the Bureau noted that demand for model-based funding had exceeded the budget by \$160 million (annualized) and provided an opportunity for parties to offer suggestions on how best to resolve the budget shortfall.<sup>2</sup>

Highland Telephone Company ("HTC") is a small RLEC in Virginia who has accepted the offer of model-based funding. HTC applauds the efforts of the Federal Communications Commission ("FCC") to reform our nation's system of universal support funding. Those efforts will contribute to providing broadband access to hundreds of thousands of new homes in coming years.

Indeed, the stated goal of the model path is to "spur additional broadband deployment in unserved areas" (emphasis added).<sup>3</sup> That central goal is worth keeping in mind as the FCC works to resolve the model budget shortfall.

Of the 274 model elections that were made, more than a quarter of them have 10/1 availability in excess of 50% within model-funded areas.<sup>4</sup> That suggests those companies have much of

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<sup>1</sup> DA 16-1246, accessed at [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2016/db1102/DA-16-1246A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db1102/DA-16-1246A1.pdf).

<sup>2</sup> DA 16-1246, page 2. "Subsequently, parties have submitted several recommendations into the record.<sup>7</sup> Parties are encouraged to submit ex partes into the record no later than Monday, November 14, 2016, on what measure or combination of measures should be considered to address the high level of interest in A-CAM model-based support."

<sup>3</sup> DA 16-33 (USF rural reform order), ¶14.

their 10/1 deployment already completed. While each of those companies doubtlessly has more work to do, they have been able to make commendable progress in deploying 10/1 service under the existing rate-of-return regime.

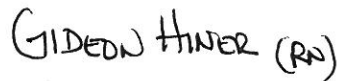
If the 60 largely-deployed model-winning companies were to continue their buildout progress on the rate-of-return path, rather than on the model path, approximately \$80 million in demand could be removed from the CAF reserves provided by the FCC.<sup>5</sup> If the FCC were also to make available the \$50 million in additional CAF funding it referenced in its March 30 order,<sup>6</sup> more than 80% of the model shortfall would be eliminated.

HTC would prefer to see all model offers fully-funded, of course, but if the FCC must prioritize its limited resources, it should do so by focusing resources on those companies with the most deployment work yet to do.

Sincerely,



Ruth Newman  
HTC Co-Manager



Gideon Hiner  
HTC Co-Manager

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<sup>4</sup> Seventy-two model companies have 10/1 rates of greater than 50% in model-funded census blocks. Twelve of those 72 companies are "model losers."

<sup>5</sup> Those 60 companies received model-offers in excess of \$140 million annually, but have 2015 legacy support in excess of \$60 million annually, leaving an \$80 million net demand on the FCC's CAF reserves.

<sup>6</sup> DA 16-33 (USF rural reform order), ¶62. "The Commission at that time may consider whether circumstances warrant allocation of an additional \$50 million . . ."